

VZCZCXYZ0000
RR RUEHWEB

DE RUEHUL #0734/01 0710840
ZNY CCCCC ZZH
R 120840Z MAR 07
FM AMEMBASSY SEOUL
TO RUEHC/SECSTATE WASHDC 3323
INFO RUEHBJ/AMEMBASSY BEIJING 2163
RUEHKO/AMEMBASSY TOKYO 2280
RHHMUNA/CDR USPACOM HONOLULU HI
RUALSFJ/COMUSJAPAN YOKOTA AB JA
RHMFISS/COMUSKOREA J2 SEOUL KOR
RHMFISS/COMUSKOREA J5 SEOUL KOR
RHMFISS/COMUSKOREA SCJS SEOUL KOR
RHEHNSC/NSC WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC//OSD/ISA/EAP//

C O N F I D E N T I A L SEOUL 000734

SIPDIS

SIPDIS

E.O. 12958: DECL: 12/10/2014
TAGS: [PGOV](#) [PREL](#) [ECON](#) [KS](#)
SUBJECT: ROK PRESIDENTIAL CANDIDATES: WHO IS SEEING
DIMINISHING RETURNS?

REF: A. SEOUL 0331
[1](#)B. 06 SEOUL 4014
[1](#)C. 06 SEOUL 4209
[1](#)D. SEOUL 0516
[1](#)E. 06 SEOUL 3217
[1](#)F. 06 SEOUL 4036
[1](#)G. SEOUL 0592

Classified By: POL M/C Joseph Yun. Reasons 1.4 (b,d).

[1](#)1. (SBU) SUMMARY: Korean voters are adamant that economic growth should be the top priority for the next ROK president. In response to this clear mandate from the people, top presidential contenders are offering some unique proposals aimed at stimulating the economy and spurring job creation. While some candidates' fervor for greater attention produced promises of rapid growth of up to seven percent, most economists remain skeptical and are trying to shed more realistic light on candidates' economic plans. Regardless of the actual amount of feasible growth, all candidates recognize voters' concern and are centering much of their platform on economic themes. END SUMMARY

LEE MYUNG-BAK

[1](#)2. (SBU) GNP presidential front-runner Lee Myung-bak emerged as a serious candidate in large part because of his success with the Cheonggye stream restoration project while Mayor of Seoul and previously as a fast-rising manager at Hyundai Construction Corporation (ref A). Continuing where he left off as Mayor, Lee has proposed a canal project connecting Seoul, Busan, Incheon, and eventually Pyongyang. Even though there are waterways that conceivably could connect Busan to Seoul, many see the canal project as technically difficult and likely to generate huge opposition from environmental groups. After President Roh spoke out against the idea, Lee countered by saying, "I think the Blue House's comment came out of a lack of understanding of the fact that the grand canal project would be a comprehensive plan incorporating state-of-the-art information technology, advanced science, and technology."

[1](#)3. (C) Lee has publicly promised seven percent economic growth if elected president. In a meeting with the DCM November 2006 (ref B), Lee said that the current 4 percent economic growth rate was fueled by exports and high tech industries which did not create enough jobs or stimulate the

development of the overall economy. Therefore, there was a high level of economic insecurity. To overcome such insecurities, the domestic economy should grow at a 7 percent rate, enough for new job creation and a boom in domestic demand. Lee has also said publicly that "Economics is politics. No economy, no politics in the 21st century."

PARK GEUN-HYE

14. (SBU) Park Geun-hye also has a major industrial project as the centerpiece of her economic plan for Korea. Park suggests the development of train-carrying ferries to take goods from Korean to Chinese ports, a distance of only about 500 km. This idea was originally developed and announced after North Korea's July missile tests when relations between the North and South had cooled. With the recent resumption of the Six-Party Talks and more recent North-South Ministerial talks, the notion of an inter-Korean railway is once again being discussed. If progress is made on connecting North and South Korea via rail, Park's economic engine which bypasses North Korea will likely lose some of its steam.

15. (C) In addition to the ferries, Park has also promised that she would create three million jobs and boost the annual growth rate to seven percent during her time in office. Development of human capital through better education would help boost this growth. In a meeting with the DCM in December, Park was more conservative in her statements and spoke of achieving a growth rate of five percent (ref C). Park has also made statements linking Korea's economic growth to foreign affairs and national security issues, saying that

it is essential to make an environment where foreign investors can invest in Korea with confidence.

SOHN HAK-KYU

16. (SBU) Sohn Hak-kyu showcased his economic prowess while serving as Governor of Gyeonggi Province from 2002-2006. Sohn's biggest accomplishment was job creation (an estimated 560,000) by attracting foreign and domestic investment--notably LG Philips, which employs 42,000 employees and subcontractors in its Paju plant (ref D). Comprising a large and powerful block of voters, many Koreans in their 20's and 30's are drawn to Sohn's track record of job creation as it represents a tangible and immediate benefit to those struggling to find substantive work.

17. (SBU) In a meeting with poloff in September, Sohn said Koreans did not see a bright future and in fact, could not see, "the light at the end of the tunnel" of their current economic difficulties. While the economy was paramount, education reform was even more important to middle and lower class Koreans (ref E). Sohn advocates programs to provide equal access to education so that those who come from a background of poverty will not have to inherit the same future. Sohn also advocates a revision to the housing law so more ordinary citizens could afford homes.

CHUNG DONG-YOUNG

18. (SBU) Chung Dong-young only receives four percent support in the latest polls but remains the leading Uri Party candidate in the presidential race. As a former Minister of Unification, Chung tends to focus his comments on North-South relations rather than domestic economic concerns. "Digging canals or train ferries are all past-oriented visions. Forward-looking vision would be to get rid of all barbed wires and melt them in a blast furnace. Peace is money. The spirit of this era lies in peace and the economics of ordinary citizens," Chung said.

¶9. (C) In the two most recent meetings with the Ambassador, any discussion of economics was in the context of aid resumption for North Korea or related to the U.S.-Korea Free Trade Agreement (refs F and G). On the domestic economy, Chung has said that the government's focus should be on helping the middle class prosper. He believes Korea should shift from a traditional brick-and-mortar economy to one based on technology, since the development-driven economy of the 1970s and 80s -- although effective at the time -- was no longer a valid model.

IS SEVEN PERCENT GROWTH POSSIBLE?

¶10. (SBU) Figures provided by the ROKG show that Korea has not seen seven percent growth since the 1980's when the average growth rate for the decade was 7.7 percent. Those numbers began to drop off in the 1990's and the first five years of the new millennium where the average growth rates were 6.3 percent and 5.2 percent respectively. During a recent meeting with poloff, an official from the Ministry of Labor (MOL) predicted that the growth rate would continue to fall slightly in the current year to 4.5 percent. When the official was asked about the prospect of attaining seven percent growth in the next five years, he said it was "highly unlikely" based on the growth trends over the past 25 years.

EXPERTS SAY NO

¶11. (SBU) Echoing the concerns expressed by the MOL official, economic experts are also going on record with their perspectives on growth. In a recent report, Woo Cheon-sik, a research fellow at the state-run Korea Development Institute (KDI), said that the best scenario for Korea's economy would be to expand gross domestic product (GDP) by an average of five percent over the next ten years.

Woo further said that setting a goal of accomplishing mid-four percent would be realistic. Shin Min-yong, a senior economist at the LG Economic Research Institute, was quoted recommending the private sector increase R&D-related expenditure on energy and environment technologies which could create new growth engines for the economy.

COMMENT

¶12. (SBU) A recent poll of 1,000 adults indicated that 65 percent of respondents thought economic growth was the most urgent task for the next administration. This strong sentiment has been spurred recently by rapidly surging real estate prices, a widening gap between the wealthy and poor, and a general lack of job creation. In a similar survey, respondents were asked what type of leadership skills they were looking for in the next president. The leading response by 36 percent of the respondents said they wanted a "CEO-type" leader who would initiate economic growth with a business mindset. These sentiments have placed Lee Myung-bak, a rags-to-riches businessman, in the driver's seat as the campaign period hits full stride.

VERSHBOW